5-21-2009

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LADB Article Id: 050842
ISSN: 1089-1560

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Category/Department: Costa Rica
Published: Thursday, May 21, 2009

It came as no great surprise that Costa Rica is in recession, economically, but it was a source of satisfaction in some quarters that, after months of prodding, the government finally admitted it. In the meantime, the government and the private sector have been looking to make hay while the sun shines with attempts at rolling back the country's progressive labor laws and practices. Official sources say that Costa Rica is doing worse than others in the isthmus, even in these universally tough times. The most recent news from Costa Rica is a hodgepodge of the good and the bad. The economy has recorded its sixth month of decline. That is bad and also a marker much used in the media as the sine qua non of recession. But the International Monetary Fund (IMF), in a recent study, has concluded that, because of some actions the government has taken, the year would end with 0.5% growth and 2010 would see 1.5% growth. In the real world, that is not so good because these rates do not keep up with added burdens to the economy like growth of the population entering the labor market, but, in the world where news has economic consequences, it is good. IMF Western Hemisphere Department deputy director Miguel Savastino told the local media that government spending on public infrastructure and programs to protect vulnerable sectors have positioned the country for a return to positive territory. The fund's experts also believe that world conditions would affect Latin America less severely than other regions. Powerhouse Japan, for instance, is dealing with an annualized 15.2% contraction on the year. In Central America, Costa Rica ranks with Nicaragua at the bottom of a list that shows Panama, Honduras, and Guatemala all doing better and with a rosier outlook. But Costa Rica has a deeper hole to crawl out of. In March, the negative growth rate of 6.2% was the worst since the Central Bank started keeping its monthly index of economic activity in 1991. The index (Indice Mensual de Actividad Economica, IMAE) shows the economy has been running down since recording more than 7% annual growth in November 2007. Analysts point out that, although the administration of President Oscar Arias has steadfastly avoided using the term recession, it has been behaving as if the country has been in one. At the end of January, Arias pushed through his Plan Escudo (see NotiCen, 2009-02-28), giving him the tools to expand cash transfers, liberalize labor laws, and borrow US$2.5 billion internationally if he deemed it necessary. So far, he has not. It is early to tell with certainty what the effects of these moves have been or what they will be in the future. And it is not even certain that the economy is in recession. The six-month or two-quarters of contraction convention is more a custom than a rule, and many economists do not subscribe to it. They point out that some sectors of the economy are still growing. Central Bank chief of statistics for services and construction Elvia Campos is one of these. She says that most sectors have not drifted negative, and a number of industries, including business services, are growing consistently. Of the 14 sectors IMAE tracks, only six are in contraction. But the bank has a policy of shying from using the designation of recession. Macroeconomics director Henry Vargas told the Tico Times in February, "It could cause an overreaction...and firms could stop producing or investing." The financial advising firm Aldesa is one that accepts these figures as definitive of recession, however. "Almost half of the sectors are contracting and the rest are decreasing their growth," said the firm's strategy coordinator Ana

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Toyama. "We expect the economy to continue contracting in 2009. Among those contracting, the shrinkage is large. Manufacturing was worst with a 17% decline since last year. The hotel industry, key to analysis of the tourism sector, fell 9%." Meanwhile, Costa Rica was recently informed of a possible signal of relief. Intel Corporation, which already has a production presence in the country, announced it would be transferring production from three plants it closed this year in Malaysia and the Philippines. It is not the stuff of instant turnarounds. The transfers will come slowly according to a timetable based on production schedules, and in any case it will not start until September. The company's local manager, Michael Forrest, said that there has been a decline in demand for the microchips to be produced but that the company is seeing a tendency toward stabilization. "We are seeing improvements, even though we won't be returning to the same levels of before the recession." But the company is predicting a mild improvement in products from Costa Rica for the second half of 2009. In Costa Rica since 1998, Intel now employs 3,200 people, mostly in the assembly plant. Labor rollbacks Not discussed in press reports was the role that administration efforts at loosening labor standards played in bringing new jobs to make up for the serious losses recently incurred. The country has not always been a workers' paradise. Costa Rica was the first in Central America to buy into the structural adjustment policies in the 1980s that have proved disastrous for Latin America and the Third World. It was these policies that led to hemispherewide repudiation of the fund and its dictates until the present economic crisis revived it as one of few places to go for needed capital infusions. Even that neoliberal-policy decision never broke the strength of the unions, which have preserved the 1943 Labor Code and the Caja Costarricense de Seguro Social (CCSS) against private-sector and conservative-government attempts at reform. But that was then. Now the tide may have turned such that what Intel wants, Intel gets. The flexibility in working conditions as explained in the NotiCen article cited above would allow Intel to force workers into a 12 hour a day, 48 hour a week schedule without paying overtime, as is now required for two of those hours. Since coming to Costa Rica, Intel has enjoyed governmental laxity on labor issues. A 1998 Ministerio de Trabajo memo orders tolerance by government agencies regarding practices that included 12-hour workdays, allowing women on night shifts, pay in lieu of vacation time, and consideration of bonuses including aguinaldos as not part of salaries for the purpose of paying lower CCSS contributions in violation of the Labor Code. Now the private sector is demanding those liberalizations for all employers, as well as recognizing national holidays, easing restrictions on firing union workers, and extending probationary periods during which employees have limited rights. What is more, these changes, if proponents are successful, will be permanent and irreversible, unlike the de facto liberalizations Intel has been able to force. The de facto loosening is serious enough, according to unionist Franklin Benevides Flores. He said labor stability has suffered as temporary-work status and service contracts have circumvented the Labor Code. Government laxity has encouraged salary-reducing manipulations such as the one benefiting Intel, as well as worker concessions on other legal guarantees. These factors seem to be reflected in Economic Commission for Latin America and the Caribbean (ECLAC) data quoted by Central America Report showing that between 2003 and 2007 GDP increased at an annual rate of 6%, while wages rose only 0.5%; reduction to part-time work has reduced eligibility for CCSS benefits for some, and others are working beyond the eight hours per day prescribed by law. Social security benefits, which include access to health care, have declined overall, from 92% 14 years ago, to less than 87% in 2005.

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